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July 17, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

Re: 1998 Biennial Regulatory Review--
Review of Accounting and Cost Allocation Requirements
United States Telephone Association
Petition for Rulemaking
CC Docket No. 98-81

Dear Ms. Salas:

Enclosed for filing on behalf of ALLTEL Communications Services Corporation ("ALLTEL") please find an original and nine (9) copies of its Comments in connection with the above-referenced matter.

Please address any questions respecting this matter to the undersigned counsel.

Very truly yours,

ALLTEL Communications
Services Corporation

By: Carolyn C. Hill
Carolyn C. Hill
Its Attorney

CCH/ss

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
1998 Biennial Regulatory Review--	)	**CC Docket No. 98-81**
Review of Accounting and Costs	)	
Allocation Requirements	)	
	)	
United States Telephone Association	)	**ASD File No. 98-64**
Petition for Rulemaking	)	

Comments of
ALLTEL Communications Services Corporation

ALLTEL Communications Services Corporation, on behalf of its local telephone exchange affiliates (hereinafter "ALLTEL" or the ALLTEL companies"), respectfully submits its comments on the Commission's Notice of Proposed Rulemaking ("NPRM") released June 17, 1998, in the above-captioned matter.

Introduction

ALLTEL commends the Commission's willingness to address many of the existing impediments to achievement of the objectives of the 96 Telecom Act, and we support the thrust of the Commission's instant proposal to reduce the regulatory burdens on mid-sized LECs. Moreover, as part of the Commission's continued progressive actions, ALLTEL strongly endorses favorable and timely action on the pending petition for forbearance filed on February 17, 1998 by the Independent Telephone and Telecommunications Alliance ("ITTA") of which ALLTEL is a member. ITTA's petition requested forbearance with respect to nine Commission requirements which impose unnecessary recordkeeping and reporting requirements on two-percent LECs (i.e., those serving less than two-percent of the Nation's subscriber lines installed in the aggregate nationwide). Among these regulations are those requiring Class A accounting, CAM filings and audits, and ARMIS reports for those LECs having annual operating revenues exceeding a revenue threshold, as adjusted for inflation, each year. (At the time the petition was filed that indexed revenue threshold was $109 million; it has since been adjusted for inflation to $112 million.) Instead of using a revenues test, ITTA's petition proposes the use of a legislative-based standard of two percent. In other words, LECs serving less than two percent of the Nation's access lines would not be required to use Class A accounting, file CAMs or ARMIS reports, or be subject to an audit. The current reporting requirements, as pointed out by ITTA, impose disproportionate burdens on the two percent companies, especially when costs are measured on a per-line or per-customer basis. These compliance costs can easily total many multiples of those of the largest companies.

The 96 Telecom Act was intended to profoundly change the regulatory landscape in America. As a result, the Commission was given the power under Section 10 to forbear when forbearance will enhance competition among providers of telecommunications services. ITTA's petition identified nine areas qualifying for such forbearance and it is now ripe for Commission action.

Also, under Section 11 of the 96 Act, the Commission, for the first time, must perform biennial review of regulations that apply to the operations or activities of any provider of telecommunications services in order to determine whether any such regulation is no longer necessary in the public interest as the result of meaningful economic competition between providers of such service. It must then reject or modify those determined to be no longer necessary.

Notably, the Commission began the required biennial review process early and Chairman Kennard promised a "comprehensive biennial review" of all of the Commission's existing regulations. Thereafter, the Commission's staff released a list of 31 proceedings to be initiated as part of the 1998 biennial review process. Many of those proceedings are already in progress or have been completed. ALLTEL applauds these efforts, but however laudatory they are, the fact remains that favorable Commission action now on ITTA's petition for forbearance will produce more benefits consistent with the goals of the 96 Act than addressing the regulatory burdens on the ALLTEL companies on an incremental basis. Specifically, grant of ITTA's petition for forbearance will eliminate continued review on a piecemeal or incremental basis of the application of Part 32, 43, and 64 regulations to two-percent companies when those requirements are not necessary in the current competitive marketplace. This, in turn, will enable the two-percent companies to concentrate their efforts in areas relating to improving customer services, implementing new services and technologies, and implementing on-going Commission requirements, such as number portability and CPNI.

I. The Commission's NPRM is Meritorious, But Requires Some Modification or Clarification.

In the NPRM, the Commission has proposed to modify its accounting and cost allocation rules for mid-sized LECs. ALLTEL is encouraged by the Commission's desire to reduce many of the current administrative burdens on mid-sized LECs. Realistically, achievement of this and the competitive goals of the 96 Act is dependent upon the implementation in the near term of GAAP in lieu of the Commission's Part 32 and other accounting requirements. Competitors are not faced with the same extensive FCC regulatory accounting requirements as incumbent LECs. Rather, they are able to adopt and streamline their accounting systems to meet their business needs while, at the same time, maintaining necessary internal controls. They do this without maintaining two sets of books -- one for SEC and investor purposes and the second for FCC purposes. Similar relief should be extended to incumbent LECs.

With respect to the specifics of the NPRM, it is unfortunate that the Commission did not suggest specific wording revisions to its rules for the parties to comment on in addressing the NPRM. For this reason, ALLTEL has found it necessary to fill in some proverbial blanks in assessing certain proposals. While ALLTEL generally supports the NPRM, we believe that some further modification or clarification is required.

As ALLTEL understands the NPRM, the current revenue threshold for required Class A accounting would be raised to $7 billion from an inflation based index which is currently $112 million. Individual LECs or their affiliated LEC would look to their annual operating revenues to see if they meet the new threshold test. If individually or on an aggregated basis, the LEC or its affiliates had annual operating revenues of $7 billion or more, then Class A accounting would be required. If not, then the individual LEC or its affiliates could use Class B accounting.

ALLTEL agrees that the Commission should change the current revenue threshold in Part 32 and Part 64 for mid-sized LECs. In this regard, ALLTEL submits that mid-sized LECs should not be required to continue to labor under the weight of regulatory requirements that are adversely disproportionate in their costs and effects on mid-sized

LECs -- both in relationship to other larger incumbent LECs and to competitors of the mid-sized LECs.

In implementing the proposed change in the accounting and cost allocation threshold for mid-sized LECs, ALLTEL believes that it is important for the Commission to address the issue of how current Class A accounting carriers would transition to Class B accounting. Finally, the Commission should clarify whether the $7 billion threshold is a set one or is to be indexed on an annual basis for inflation.

II. The Commission Should Revise Its Proposal Relating to Mid-Sized Carriers' CAMs.

The Commission has also proposed in Section III of the NPRM to reduce the administrative burden on mid-sized LECs by eliminating or modifying some of the information required in their CAMs. Thus, the Commission has proposed that mid-sized carriers would be required to submit their CAMs based on a Class B system of accounts. An audit of their CAM would take place every two years instead of annually. The Commission envisions that this audit would be an attestation audit as opposed to the more costly positive opinion audit. ALLTEL questions the Commission's proposal because it appears that mid-sized carriers as well as any Class B carrier that never filed a CAM before with the Commission will now be required to do so. Also, Class B carriers apparently will now be subject to an audit requirement whereas this requirement has not previously existed. In ALLTEL's view, the Commission's CAM proposal is not logical because little of the administrative burden on mid-sized carriers currently filing CAMs will have been eliminated - they would still have to file a CAM, only now it would reflect fewer accounts, but it would still apparently be subject to FCC approval, and there would still be some type of an FCC audit requirement. Moreover, mid-sized and small non-average schedule companies not currently subject to any CAM filing or audit requirement would now find themselves faced with new regulatory requirements as well as the additional cost of not only filing a CAM, but also the cost of an external audit. ALLTEL submits that these results hardly serve the public interest. To remedy this, the Commission should revise its proposal to specifically reflect that LECs falling below the $7 billion threshold are not required to file a CAM on a Class B or any other basis, and that they are not subject to any Part 64 external audit requirement or any other FCC audit requirement.

III. The ARMIS Filing Requirements Should Also Be Addressed for Mid-Sized Companies.

Conspicuously absent from the Commission's NPRM is relief from the ARMIS filing requirement for mid-sized LECs. This is strange given the fact that the Part 43 ARMIS filing requirement is also linked to an indexed revenues threshold. ALLTEL believes that at the very least the Part 43 requirement should be changed to reflect the same $7 billion threshold as proposed for Part 32 and Part 64.

Conclusion

The 96 Telecom Act was intended not only to change the competitive landscape, but also to improve the regulatory one. The Commission's instant NPRM is indicative of the Commission's intent to make changes in its approach to providing regulatory relief for mid-sized LECs, and, for this reason, ALLTEL supports the thrust of the NPRM. The Commission, however, has not gone far enough in this NPRM.

The pending ITTA petition for forbearance has presented cogent and compelling reasons for forbearance now for two-percent companies from certain Commission requirements, such as Class A accounting, CAM filings and audit requirements, and ARMIS reporting. Rather than continuing to fashion needed regulatory relief for two-percent companies on a costly, time-consuming, and wholly unnecessary incremental basis, ALLTEL respectfully requests that the Commission act now and grant the ITTA petition and proceed to implement GAAP.

Respectfully submitted,

ALLTEL Communications Services Corporation

By: Carolyn C Hill

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Dated: July 17, 1998

CERTIFICATE OF SERVICE

I, Sondra T. Spottswood, hereby certify that I have this 17th day of July, 1998, served the foregoing Comments of ALLTEL Communications Services Corporation via messenger to the following:

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